

OPEN MEETING ITEM



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MEMORANDUM

TO: THE COMMISSION

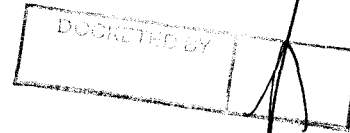
FROM: Utilities Division

DATE: March 28, 2000

RE: IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY - APPLICATION FOR APPROVAL OF A WAIVER OF CERTAIN REQUIREMENTS OF A.A.C. R14-2-1609 (DOCKET NO. RE-00000C-94-0165)

Arizona Corporation Commission
DOCKETED

MAR 29 2000



On December 23, 1999, Arizona Public Service Company ("APS") filed an application for a waiver of certain requirements of A.A.C. R14-2-1609, a Commission rule that addresses access to transmission and distribution facilities. In particular, APS requests a waiver of Subsections D, E, and part of I.

A.A.C. R14-2-1609.D requires Affected Utilities that own or operate Arizona transmission facilities to form the Arizona Independent Scheduling Administrator ("AISA"). The AISA was supposed to file for approval with the Federal Energy Regulatory Commission ("FERC") within 60 days of this Commission's adoption of final retail electric competition rules. The final rules were adopted on September 29, 1999, and R14-2-1609 required the AISA to file for FERC approval on or about November 30, 1999. The AISA has not made its FERC filing.

R14-2-1609.E requires Affected Utilities that own or operate Arizona transmission facilities to file a proposed AISA implementation plan with the Commission within 30 days of the Commission's adoption of final Retail Electric Competition rules. APS has not filed its implementation plan with the Commission as required by R14-2-1609.E.

Part of R14-2-1609.I requires Affected Utilities and other stakeholders, under AISA auspices, to develop statewide protocols for pricing and availability of services from Must-Run Generating Units. These protocols are to be presented to the Commission for review and, when appropriate, approval prior to being filed with FERC in conjunction with the AISA tariff filing.

R14-2-1609.D states that an ISA is necessary in order to provide nondiscriminatory retail access and to facilitate a robust and efficient electricity market. APS is currently working with other entities to form and implement the AISA. However, the members of the AISA have not been able to agree on a set of operational and administrative protocols to govern operations of the AISA. APS has requested the waiver because it believes that it can neither comply with the requirements of Subsections D, E, and part of I, nor compel AISA to comply with the requirements.

Staff recognizes that the Affected Utilities may be unable to force other AISA members to reach agreement. If the AISA members cannot agree on protocols to be used, then alternative measures need to be put in place. Staff recommends that the Commission order APS to collaborate

THE COMMISSION

March 28, 2000


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with the other major Arizona transmission line owners (TEP and AEPCO) on a set of protocols and jointly submit those protocols within fifteen days of the date of this order to the Commission for review and approval. These protocols may then be used until AISA, Desert STAR, or some similar appropriate organization becomes operational. APS should also be ordered to ask SRP to participate in the discussions with APS, AEPCO, and TEP.

The protocols should include, but not be limited to, the subjects of available transmission capacity calculation, transmission system transfer capabilities, committed uses of the transmission system, available transfer capabilities, must-run generating units, energy imbalances, energy scheduling, dispute resolution, and transmission planning.

Staff believes that statewide procedures must be in place to provide nondiscriminatory retail access and to allow the competitive market to continue to develop. The alternative plan outlined above may not be an effective long-term substitute for the AISA. Without the participation of the Affected Utilities, the AISA is unlikely to be implemented. Granting APS a waiver of R14-2-1609 may eliminate APS's incentive to continue to meaningfully participate in the development of the AISA protocols. Therefore, Staff recommends that APS's application for a waiver of the requirements of R14-2-1609 be denied.

Staff recommends, however, that the Commission grant APS an extension of time in which to comply with R14-2-1609. Staff recommends that the Commission extend APS's deadline for complying with R14-2-1609 to May 15, 2000. At that time, Staff can evaluate the adequacy of the protocols filed by the transmission providers as well as the status of AISA.



Deborah R. Scott
Director
Utilities Division

DRS:RTW\van\CCK\JFW\JMA

ORIGINATOR: Ray Williamson

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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

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| IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY - APPLICATION FOR APPROVAL OF A WAIVER OF CERTAIN REQUIREMENTS OF A.A.C. R14-2-1609 |) | DOCKET NO. RE-00000C-94-0165 |
| |) | DECISION NO. _____ |
| |) | <u>ORDER</u> |

Open Meeting
April 11 and 12, 2000
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On December 23, 1999, APS filed an application for a waiver of certain requirements of A.A.C. R14-2-1609, a Commission rule that addresses access to transmission and distribution facilities. In particular, APS requested a waiver of Subsections D, E, and part of I.
3. A.A.C. R14-2-1609.D requires Affected Utilities that own or operate Arizona transmission facilities to form the Arizona Independent Scheduling Administrator ("AISA"). The AISA was supposed to file for approval with the Federal Energy Regulatory Commission ("FERC") within 60 days of this Commission's adoption of final retail electric competition rules. The final rules were adopted on September 29, 1999, and R14-2-1609 required the AISA to file for FERC approval on or about November 30, 1999. The AISA has not made its FERC filing.
4. R14-2-1609.E requires Affected Utilities that own or operate Arizona transmission facilities to file a proposed AISA implementation plan with the Commission within 30 days of the Commission's adoption of final Retail Electric Competition rules. APS has not filed its implementation plan with the Commission as required by R14-2-1609.E.

1 5. Part of R14-2-1609.I requires Affected Utilities and other stakeholders, under AISA
2 auspices, to develop statewide protocols for pricing and availability of services from Must-Run
3 Generating Units. These protocols are to be presented to the Commission for review and, when
4 appropriate, approval prior to being filed with FERC in conjunction with the AISA tariff filing.

5 6. R14-2-1609.D states that an ISA is necessary in order to provide nondiscriminatory
6 retail access and to facilitate a robust and efficient electricity market. APS is currently working with
7 other entities to form and implement the AISA. However, the members of the AISA have not been
8 able to agree on a set of operational and administrative protocols to govern operations of the AISA.
9 APS has requested the waiver because it believes that it can neither comply with the requirements
10 of Subsections D, E, and part of I, nor compel AISA to comply with the requirements.

11 7. Staff recognizes that the Affected Utilities may be unable to force other AISA
12 members to reach agreement. If the AISA members cannot agree on protocols to be used, then
13 alternative measures need to be put in place. Staff recommends that the Commission order APS to
14 collaborate with the other major Arizona transmission line owners (TEP and AEPCO) on a set of
15 protocols and jointly submit those protocols within fifteen days of the date of this order to the
16 Commission for review and approval. These protocols may then be used until AISA, Desert STAR,
17 or some similar appropriate organization becomes operational. APS should also be ordered to ask
18 SRP to participate in the discussions with APS, AEPCO, and TEP.

19 8. The protocols should include, but not be limited to, the subjects of available
20 transmission capacity calculation, transmission system transfer capabilities, committed uses of the
21 transmission system, available transfer capabilities, must-run generating units, energy imbalances,
22 energy scheduling, dispute resolution, and transmission planning.

23 9. Staff believes that statewide procedures must be in place to provide nondiscriminatory
24 retail access and to allow the competitive market to continue to develop. The alternative plan
25 outlined above may not be an effective long-term substitute for the AISA. Without the participation
26 of the Affected Utilities, the AISA is unlikely to be implemented. Granting APS a waiver of R14-2-
27 1609 may eliminate APS's incentive to continue to meaningfully participate in the development of
28

1 the AISA protocols. Therefore, Staff recommends that APS's application for a waiver of the
2 requirements of R14-2-1609 be denied.

3 10. Staff recommends, however, that the Commission grant APS an extension of time in
4 which to comply with R14-2-1609. Staff recommends that the Commission extend APS's deadline
5 for complying with R14-2-1609 to May 15, 2000. At that time, Staff can evaluate the adequacy of
6 the protocols filed by the transmission providers as well as the status of AISA.

7 11. Staff's recommendations as set forth in Findings of Fact 7 through 10 are reasonable
8 and should be adopted.

9 CONCLUSIONS OF LAW

10 1. APS is an Arizona public service corporation within the meaning of Article XV,
11 Section 2, of the Arizona Constitution.

12 2. The Commission has jurisdiction over APS and over the subject matter of the
13 application.

14 3. The Commission, having reviewed the application and Staff's Memorandum dated
15 March 23, 2000, concludes that it is in the public interest to deny the request for a waiver.

16 ORDER

17 THEREFORE, IT IS ORDERED that the application for a waiver of portions of A.A.C. R14-
18 2-1609 is hereby denied.

19 IT IS FURTHER ORDERED that APS's deadline for complying with R14-2-1609 is
20 extended to May 15, 2000.

21 IT IS FURTHER ORDERED that APS collaborate with the other major Arizona transmission
22 line owners (TEP and AEPCO) on a set of protocols and jointly submit those protocols within 15
23 days from the date of this decision for Commission review and approval.

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1 IT IS FURTHER ORDERED that APS shall ask SRP to participate in the discussions with
2 APS, TEP, and AEPCO.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

5
6 CHAIRMAN

COMMISSIONER

COMMISSIONER

7 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
8 Executive Secretary of the Arizona Corporation
9 Commission, have hereunto, set my hand and caused the
10 official seal of this Commission to be affixed at the
Capitol, in the City of Phoenix, this ____ day of _____
, 2000.

11 _____
12 BRIAN C. McNEIL
Executive Secretary

13 DISSENT: _____

14 DRS:RTW:van\JFW
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